



Internal Audit Report

**Random Cash Counts
October 2003**



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October 9, 2003

Fulton Brock, Chairman, Board of Supervisors
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Max Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed random cash counts at selected locations within the Justice Courts, Animal Care and Control, and the Environmental Services Department. These limited scope audits were performed in accordance with our annual audit plan which was approved by the Board of Supervisors.

We found no significant exceptions to physical counts of cash and checks during our testing procedures. However, some control weaknesses were noted and these are identified in the Executive Summary of this report. The complete audit report and the departments' written responses are also included.

We have reviewed this information with department management. We thank the three County departments' management and staff for their excellent cooperation. If you have any questions or wish to discuss anything presented in this report, please contact Eve Murillo at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

East Phoenix #1 Justice Court (Page 2)

The East Phoenix Justice Court's cash handling procedures contain adequate controls. Our test of employees' cash transactions found no overages or shortages. Established written procedures appear to be consistently followed.



Front entrance to East Phoenix
#1 Justice Court

Environmental Services Department (Page 3)

We found no overages or shortages in Environmental Services Dept. 43rd Ave. Branch Office cash reconciliation. However, we noted several weaknesses (e.g., inconsistent receipting and unposted fees) that increase the risk for cash loss and abuse. The Environmental Services Department should issue a receipt to each customer, post its fees, and strengthen controls over cash securities and written procedures.



Window Sign on 43rd Ave.

Animal Care and Control (Page 5)

The Animal Care and Control's (ACC) Business Office cash handling procedures contain adequate controls. We found no overages or shortages while reconciling three cash drawers. However, ACC reported fiscal year 2003 customer Payment Plan balances due as cash shortages to DOF. These balances distorted actual lost or uncollected funds. ACC should separately capture and report true cash overage/shortage amounts from Payment Plan receivables.



Guest at West Valley ACC

Issue 1 East Phoenix #1 Justice Court

Summary

The East Phoenix Justice Court's cash handling procedures contain adequate controls. Our test of employees' cash transactions found no overages or shortages. Established written procedures appear to be consistently followed.

Applicable Requirements

Maricopa County Administrative Policy 2500 (Petty Cash) establishes minimum requirements over petty cash and change funds. The State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA) recommends safeguards and procedural controls over cash receipts. Five important controls are:

- Cash collection, receipts, deposit preparation, and recording duties should be adequately segregated
- Incoming checks should be restrictively endorsed when received
- Cash receipts should be controlled by cash register, pre-numbered receipts, or other equivalent means
- Cash receipts should be deposited in a timely manner; any undeposited cash receipts should be adequately secured
- Cash receipts should be balanced to daily cash collections on a regular basis

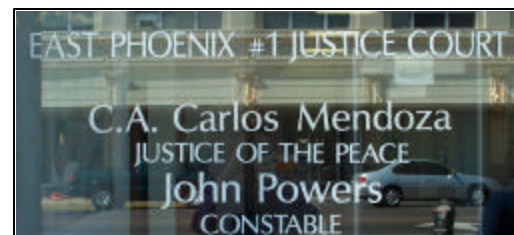
Review Results

According to Department of Finance (DOF) records, the East Phoenix #1 Justice Court maintains a \$1,355 change fund. Each of the nine clerks has a \$100 change fund and the remaining \$455 is kept in the safe as "back up" should the cashiers run short of change. We counted three cashier change funds and receipts, reconciling these to the Cash Box Closing Report, and found no exceptions or control weaknesses. The court has assigned change fund custodians and follows established Justice Court cash receipt procedures. We also verified timeliness of the Court's daily deposits through the County Treasurer's system.

Each of the three cashiers counted their cash fund in our presence, and totaled the cash, checks, and credit card charges on hand. We examined the checks for appropriate endorsements and appropriate payees and noted no exceptions.

Recommendation

None, for information only.



Window Sign at One West Madison

Issue 2 Environmental Services

Summary

We found no overages or shortages in Environmental Services 43rd Avenue Branch Office cash reconciliation. However, we noted several control weaknesses (e.g., inconsistent receipting and unposted fees) that increase the risk for cash loss and abuse. The Environmental Services Department should issue a receipt to each customer, post its fees, and strengthen controls over cash securities and written procedures.

Applicable Requirements

The same Maricopa County Administrative Policy requirements and AICPA recommendations cited in the previous issue (East Phoenix #1 Justice Court) apply to Environmental Services Department cash handling activities.

Review Results

The department's 43rd Avenue Branch Office has one cashier, no change or petty cash funds, and only accepts cash. We performed a cash count and reconciled to the daily transaction report from the Food Service Worker (FSW) system with no exceptions. The office's cash handling process and control weaknesses, noted during our testing, are summarized below:

Effective Controls:

- The cashier completes a Daily Summary form and reconciles transactions and cash to the daily transaction report generated from the Food Service Worker (FSW) cash receipt system
- The supervisor on duty conducts a separate cash count to verify the result agrees with the cashier's amount
- The FSW Coordinator performs a second reconciliation the following day after copies of transaction report, deposit slip, and Daily Summary form have been received from the Cashier
- Both the supervisor and cashier initial the deposit slip
- The cashier documents all shortage/overages on the daily summary form and explains why he/she cannot balance. The FSW Coordinator then completes an incident report stating his/her findings and recommendation.
- The office makes daily deposits
- The office has developed written cash handling procedures

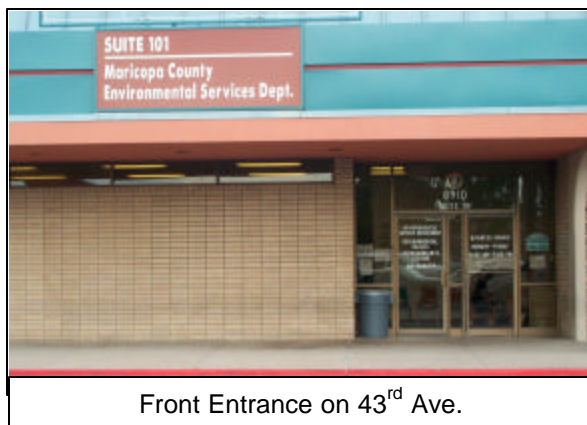
Control Weaknesses:

- Receipts are given to customers only if specifically requested
- Fees are not visibly posted in the cashier window
- The Daily Summary Report does not show cash totals
- A sign in the lobby states only exact change is accepted for the permits. However, we observed that the cashier accepts larger bills and therefore, gives change to customers making payments later in the day.
- The cashier has no key for the cash drawer in the enclosed booth. The only lobby access to the booth itself is through a locked door separating the lobby from the office area. However, A customer window is close enough to the cash drawer that it could be accessed in the absence of a booth attendant.
- No safe is available to secure the cash at night. Cash is secured overnight in a locked cabinet within an office.

Recommendation

Environmental Services should:

- A. Consistently issue receipts to each customer and visibly post service fees in the cashier window.
- B. Strengthen controls over cash including cash security and following written procedures.



Issue 3 Animal Care and Control

Summary

The Animal Care and Control's (ACC) Business Office cash handling procedures contain adequate controls. We found no overages or shortages while reconciling three cash drawers. However, ACC reported fiscal year (FY) 2003 customer Payment Plan balances due, as cash shortages to DOF. These balances distorted actual lost or uncollected funds. ACC should separately capture and report true cash overage/shortage amounts from Payment Plan receivables.

Applicable Requirements

The same Maricopa County Administrative Policy requirements and AICPA recommendations referenced in the first issue (East Phoenix #1 Justice Court) apply to Animal Care and Control (ACC) cash handling activities.

Review Results

We counted three cashiers' change funds and receipts and reconciled them to the Business Office Closing Report without exception. The ACC Business Office has adequately segregated duties, developed written procedures for opening and closing cash drawers, makes daily deposits, provides system generated receipts to each customer, and recently conducted a cashier training class for daily balancing.

ACC's cash receipt system, Chameleon, inserts the correct fee amount based on the cashier selecting the appropriate transaction (i.e., boarding, license, etc). The cashier cannot change these amounts. Changing the total paid amount after a receipt has been generated would require a refund transaction, which must be approved by a Supervisor.

Payment Plan Funds

ACC's cash receipt system is transaction based and does not accommodate tracking receivables. ACC has initiated a program for owners who cannot pay the full bill owed for their animal. While formal procedures have not been developed, the cashier refers these individuals to the Business Office Supervisor. The Supervisor works with the owner to determine the maximum amount they can pay and sets up a plan to make up the balance due via volunteer hours (\$7/hr) or weekly payments.

Payment Plan dollars are reported to DOF as cash shortages rather than receivables. ACC is making a year-end adjustment to correctly identify FY 2003 Payment Plan receivables from actual cash shortages. Staff is also preparing to manually track these funds separately in the Business Office beginning with FY 2004.

FY 04 ACC Scheduled Audit

The ACC Business Office is currently implementing a new cash receipting system that has receivable tracking capability. The system should be fully functional for all aspects of their business by October 2003. The upcoming FY 2004 ACC audit will consider performing additional testing and review of:

- Year-end adjustment to FY 03 cash overages/shortages reported to DOF (subtracting out the Payment Plan receivables)
- Tracking cash overage/shortage amounts versus Payment Plan receivables reported by the new cash receipting system.
- Written Payment Plan procedures

Recommendation

None, for information only.



ACC West Valley Building Mural

Department Response

Audit Response
ENVIRONMENTAL SERVICES SEPTEMBER 23, 2003

Issue:

- Receipts are given to customers only if specifically requested
- Fees are not visibly posted in the cashier window
- The Daily Summary Report does not show cash totals
- A sign in the lobby states only exact change is accepted for the permits. However, we observed that the cashier accepts larger bills and therefore, gives change to customers making payments later in the day.
- The cashier has no key for the cash drawer in the enclosed booth. The only lobby access to the booth itself is through a locked door separating the lobby from the office area. However, a customer window is close enough to the cash drawer that it could be accessed in the absence of a booth attendant.
- No safe is available to secure the cash at night. Cash is secured overnight in a locked cabinet within an office.

Recommendation A: Consistently issue receipts to each customer and visibly post service fees in the cashier window.

Response: Concur. Fee schedule will be visibly posted for the customer. The Department will design and begin issuing pre-numbered receipts.

Target Completion Date: 11/30/03

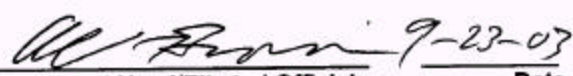


Benefits/Costs: Increased control over accuracy and accountability.

Recommendation B: Strengthen controls over cash including cash security and following written procedures.

Response: Concur. The Department will acquire and install secured locking safes for each regional office. Current written procedures will be reviewed and updated. Each regional office supervisor and cashier will be made aware of the written cash handling procedures. Impromptu inspections will be conducted of cash handling practices at the regional offices by the Departments Finance Manager at least twice a year.

Target Completion Date: 11/30/03

Benefits/Costs: Increased control over accuracy and accountability.

Approved By :  9-23-03
Department Head/Elected Official Date
 9/25/03
Chief Officer Date
 9/30/03
County Administrative Officer Date